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THE

WATERLOO

MANUFACTURING

COMPANY, LIMITED

ANNUAL REPORT 1971

OFFICERS AND DIRECTORS
THE WATERLOO MANUFACTURING COMPANY, LIMITED

OFFICERS

F. C. TAYLOR	.	.	.	.	.	President
D. W. DAUB	.	.	.	.	.	Vice-President
B. D. TAYLOR	.	.	.	.	.	Secretary-Treasurer

DIRECTORS

D. W. DAUB	L. A. KAAKE
W. G. DINGWALL, Q.C.	B. D. TAYLOR
J. M. HARPER, Q.C.	F. C. TAYLOR

TRANSFER AGENT

NATIONAL TRUST COMPANY, LIMITED
Toronto, Ontario



**THE
WATERLOO
MANUFACTURING
COMPANY, LIMITED**

263 PHILLIP STREET, WATERLOO, ONTARIO, CANADA

April 28, 1972

To the Shareholders,

THE WATERLOO MANUFACTURING COMPANY, LIMITED

Your Directors present herewith the Balance Sheet of The Waterloo Manufacturing Company, Limited as at December 31, 1971, together with Statements of Income, Retained Earnings and Source and Application of Funds for the year ended on that date, and the Auditors' Report thereon.

The Net Loss in 1971 was \$27,471., after depreciation of \$51,983. compared to a Net Loss in 1970 of \$16,738., after depreciation of \$51,837. Loss per

Common share equalled .51¢ in 1971 compared to a loss of .31¢ in 1970. The decrease in the Company sales and profits were directly related to the continued slow-down in the economy.

During the year all of the outstanding Preference shares were redeemed for a total of \$823,510. In December of 1971 the Company issued \$650,388. of 8% Income Debentures which were subscribed for by the Shareholders. The net result of the foregoing accounted for the major part of the reduction in Working Capital from \$799,812. to \$614,881.

We wish to acknowledge the efforts and co-operation of all employees during the past year and to express our appreciation for their continued loyalty.

Respectfully submitted on behalf of the Board of Directors.

F. C. TAYLOR,
President.

AUDITORS' REPORT

To the Shareholders of

The Waterloo Manufacturing Company, Limited

We have examined the balance sheet of The Waterloo Manufacturing Company, Limited as at December 31, 1971 and the statement of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kitchener, Ontario
April 14, 1972

Thorne, Gunn, Helliwell & Christenson
Chartered Accountants

THE WATERLOO MANUFACTURING COMPANY, LIMITED

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1971

(with comparative figures for 1970)

	1971	1970
Sales and commissions, net (note 4)	\$ 2,554,385	\$ 2,851,128
Depreciation	51,983	51,837
Other costs of sales, selling, administrative and financial expenses, less sundry revenues (note 4)	2,557,480	2,833,478
	2,609,463	2,885,315
Loss before income taxes	55,078	34,187
Income taxes		
Current		(13,142)
Deferred	(27,607)	(4,307)
	(27,607)	(17,449)
LOSS FOR THE YEAR	\$ 27,471	\$ 16,738

STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1971

(with comparative figures for 1970)

	1971	1970
Balance at beginning of year		
As previously reported	\$ 190,883	\$ 207,621
Adjustments of prior year's income taxes (note 5)	3,638	3,638
As restated	187,245	203,983
Loss for the year	27,471	16,738
BALANCE AT END OF YEAR	\$ 159,774	\$ 187,245

THE WATERLOO MANUFACTURING COMPANY

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET

(with comparative figures for 1970)

ASSETS

	1971	1970
CURRENT ASSETS		
Cash		\$ 131,352
Short term investments		100,000
Marketable securities, at cost (market value 1971, \$854; 1970, \$5,532)	\$ 441	6,453
Accounts and notes receivable	362,260	267,217
Income and other taxes recoverable		17,035
Inventories (note 1)	541,719	589,862
Prepaid expenses	4,485	9,772
	<u>908,905</u>	<u>1,121,691</u>
 FIXED ASSETS, at cost		
Land, roads and improvements	68,912	68,912
Buildings	705,196	702,497
Machinery and equipment	908,809	907,380
	<u>1,682,917</u>	<u>1,678,789</u>
Less accumulated depreciation	1,048,509	1,001,112
	<u>634,408</u>	<u>677,677</u>
	 <u><u>\$ 1,543,313</u></u>	 <u><u>\$ 1,799,368</u></u>

Approved by the Board:

Director - F. C. TAYLOR

Director - J. M. HARPER

NG COMPANY, LIMITED

(laws of Canada)

ECEMBER 31, 1971

December 31, 1970)

LIABILITIES

	1971	1970
CURRENT LIABILITIES		
Bank advances	\$ 6,403	
Accounts payable and accrued liabilities	286,116	\$ 321,879
Income and other taxes payable	1,505	
	<hr/> 294,024	<hr/> 321,879
8% INCOME DEBENTURES, maturing December 31, 1991 (note 2)	650,388	
DEFERRED INCOME TAXES	41,121	68,728
	<hr/>	<hr/>

SHAREHOLDERS' EQUITY**CAPITAL STOCK**

Authorized

1,000,000 4% Non-cumulative preference shares,
redeemable at par value of \$1 each of
which 984,272.75 issued shares have
been redeemed

69,280 Common shares without par value

Issued

Preference shares (1970, 823,510
shares)

54,005 Common shares

	398,006	823,510
	<hr/> 398,006	<hr/> 1,221,516
RETAINED EARNINGS (note 3)	159,774	187,245
	<hr/> 557,780	<hr/> 1,408,761
	<hr/> \$ 1,543,313	<hr/> \$ 1,799,368

THE WATERLOO MANUFACTURING COMPANY, LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1971

(with comparative figures for 1970)

	1971	1970
SOURCE OF FUNDS		
Operations		
Loss for the year		\$ (16,738)
Items not involving current funds		
Depreciation		51,837
Deferred income taxes		(4,307)
		<hr/> 30,792
Proceeds from sale of fixed assets	\$ 2,812	
Issue of 8% income debentures	650,388	
	<hr/> 653,200	<hr/> 30,792
APPLICATION OF FUNDS		
Operations		
Loss for the year	27,471	
Items not involving current funds		
Depreciation	(51,983)	
Deferred income taxes	27,607	
Profit on sale of fixed assets	1,665	
	<hr/> 4,760	
Additions to fixed assets	9,861	1,262
Redemption of preference shares	823,510	
	<hr/> 838,131	<hr/> 1,262
INCREASE (DECREASE) IN WORKING CAPITAL	(184,931)	29,530
WORKING CAPITAL AT BEGINNING OF YEAR		
As previously reported	803,450	773,920
Adjustment of prior year's income taxes (note 5)	3,638	3,638
As restated	<hr/> 799,812	<hr/> 770,282
WORKING CAPITAL AT END OF YEAR	<hr/> <u>\$ 614,881</u>	<hr/> <u>\$ 799,812</u>

THE WATERLOO MANUFACTURING COMPANY, LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1971

1. INVENTORIES

	1971	1970
Purchase for resale, at lower of cost and replacement cost	\$ 419,684	\$ 461,194
Work in process, at estimated cost	85,646	84,072
Raw materials, at lower of cost and replacement cost	36,389	44,596
	<u>\$ 541,719</u>	<u>\$ 589,862</u>

2. INCOME DEBENTURES

Interest on the 8% non-cumulative income debentures is payable in any year at the discretion of the directors.

3. RETAINED EARNINGS

The retained earnings at the end of 1971 includes \$984,273 (\$160,763 in 1970) set aside as capital surplus on the redemption of preference shares.

As a result of a reorganization in 1939 by which the deficit at that time was eliminated, no portion of retained earnings is taxable undistributed income as defined by the Income Tax Act.

4. SALES

Included in sales are commission sales of \$542,853 (1970, \$913,730) and the related costs are included in cost of sales.

5. ADJUSTMENT OF PRIOR YEAR'S INCOME TAXES

In 1971, the company was re-assessed for income taxes applicable to 1969. Retained earnings at the beginning of the year and the 1970 comparative figures have been restated to reflect this re-assessment.

6. OTHER STATUTORY INFORMATION

	1971	1970
Number of directors (including 2 directors retired in 1971)	8	8
Aggregate remuneration of directors as directors	\$ 3,900	\$ 4,800
Number of officers	3	3
Aggregate remuneration of officers as officers	\$ 72,107	\$ 62,823
Number of officers who are also directors	3	3

7. COMPARATIVE FIGURES

Comparative figures for 1970 have in some instances been reclassified in order to present them in a form comparable with those for 1971.

THE WATERLOO MANUFACTURING COMPANY, LIMITED

263 Phillip Street

Waterloo, Ontario

Notice of Annual and General Meeting of Shareholders

Notice is hereby given that the Annual and General Meeting of Shareholders of The Waterloo Manufacturing Company, Limited will be held at the head office of the Company in Waterloo, Ontario, on Wednesday, May 31, 1972 at 12 o'clock noon for the following purposes:

(a) to receive the Annual Report of the Company for the year ended December 31, 1971;

(b) to appoint auditors for the ensuing year;

(c) to consider, and if deemed advisable, to sanction By-law No. 68 of the By-laws of the Company passed by the Directors on the 28th day of April, 1972, authorizing payment of dividends in shares. A copy of By-law No. 68 is Exhibit "A" to the Information Circular which is attached hereto and forms part hereof;

(d) to elect directors for the ensuing year;

(e) to transact such other business as may properly come before the meeting and any adjournment or adjournments thereof.

If you do not expect to be present at the meeting, please sign, date and fill in the enclosed proxy and return it by mail in the enclosed, addressed envelope.

A copy of the Company's Annual Report for the year ended December 31, 1971 is forwarded herewith to each shareholder.

By Order of the Board of Directors,

BRIAN D. TAYLOR
Secretary

Dated: May 8, 1972

THE WATERLOO MANUFACTURING COMPANY LIMITED

**263 Phillip Street
WATERLOO, ONTARIO**

INFORMATION CIRCULAR

Solicitation of Proxies

This information circular is furnished in connection with the solicitation of proxies by the management of The Waterloo Manufacturing Company, Limited (the "Company") for use at the Annual and General Meeting of Shareholders of the Company and at any adjournment thereof to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. The solicitation will be made primarily by mail but proxies may also be solicited by regular employees of the Company. The cost of solicitation by management will be borne by the Company.

Revocation of Proxies

Any shareholder giving a proxy has the power to revoke it at any time before it is exercised. A proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing, or if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the Head Office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of such meeting, or any adjournment thereof.

Interest of Certain Persons in Matters to be acted upon

- (a) The only persons having a material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon, are the Directors of the Company and the information with respect to their ownership of securities is listed under the heading "Election of Directors".
- (b) The following are the associates of the foregoing persons:
 - (1) Mrs. M. M. Taylor, wife of F. C. Taylor, President, beneficial owner of one (1) Common share.
 - (2) Mrs. Karen L. Dingwall, wife of William G. Dingwall, Director, beneficial owner under the Karen L. Dingwall Trust of 1,128 Common and \$14,-938 8% Income Debentures due December 31, 1991.
 - (3) Mr. Brian D. Taylor, Director, is the beneficial owner under the Brian D. Taylor Trust of 977 Common and \$12,948. 8% Income Debentures due December 31, 1991.

Voting Shares and Principal Holders thereof

On May 8, 1972, the Company had outstanding 54,005 Common shares, carrying the right to one vote per share held. All shareholders of record on the books of the Company at the time of the holding of the meeting will be entitled to vote at the meeting.

To the knowledge of the Officers of the Company, the only persons beneficially owning equity shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company are:

Aylor Investments Limited	—	32,474 Common shares or 60 %
Mr. Donald MacKenzie	—	6,913 Common shares or 12.8%

Particulars of Matters to be Acted Upon

- (1) To consider, and if deemed advisable, to sanction By-law No. 68 of the By-laws of the Company passed by the Directors on the 28th day of April, 1972, authorizing payment of dividends in shares. A copy of By-law No. 68 is Exhibit "A" to this Information circular.

Election of Directors

The Management of The Waterloo Manufacturing Company, Limited proposes to nominate the persons listed below for election as directors of The Waterloo Manufacturing Company, Limited, to serve until the next annual meeting of the shareholders of The Waterloo Manufacturing Company, Limited or until their successors are duly elected or appointed, unless any such person is unable to act as a director, in which event a substitute may be nominated by the Management of The Waterloo Manufacturing Company, Limited. It is intended that the shares represented by proxies solicited by Management will be voted in favour of the election of such persons as directors of The Waterloo Manufacturing Company, Limited.

The following information is furnished with respect to each person proposed to be nominated for election as director:

Name		Became Director	Shares Beneficially
			Owned directly or Indirectly
Frederick C. Taylor	— President	1943	1
Donald W. Daub	— Vice President & General Manager	1964	1,035
Brian D. Taylor	— Secretary-Treasurer & Asst. General Manager	1969	156
William G. Dingwall, Q.C.	— Partner in law firm of Woolley, Hames, Dale & Dingwall, Toronto, Ontario	1964	11
John M. Harper, Q.C.	— Partner in law firm of McGibbon, Harper & Haney, Waterloo, Ontario	1964	27
Lawson A. Kaake	— Vice President & Gen. Manager, Upper Lakes Shipping Ltd., Toronto, Ontario	1955	41

Remuneration

During the past fiscal year the aggregate remuneration paid by the Company to the Directors was \$2,100. The aggregate remuneration of the five highest paid employees of the Company, including three officers was \$102,604.52. All three officers are also directors of the Company.

The estimated aggregate cost to the Company during the last fiscal year of all pension benefits proposed to be paid under any normal pension plan in the event of retirement at normal retirement age, directly or indirectly, by the Company to Directors and Officers of the Company was \$3,510.

Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Thorne, Gunn, Helliwell & Christenson as auditors of the Company to hold office until the next Annual Meeting of Shareholders. They have been auditors of the Company for more than five years.

Other Business

The Management of the Company knows of no other matters that are to be presented at the meeting. However, if any matters other than those referred to herein should be presented at the meeting, the persons named in the enclosed proxy are authorized to vote the shares represented by the proxy in accordance with their best judgment.

By Order of the Board of Directors,

BRIAN D. TAYLOR
Secretary

Dated: May 8, 1972

EXHIBIT "A"

The Waterloo Manufacturing Company, Limited

BY-LAW NO. 68

BE IT ENACTED and it is hereby enacted as a By-law of The Waterloo Manufacturing Company, Limited (hereinafter called "the Company") as follows:

1. For the amount of any dividend which the Directors may lawfully declare payable in money they may issue therefor preference shares of the Company as fully paid.

Passed by the Directors this 28th day of April, 1972.

"B. D. TAYLOR" Corporate
Secretary Seal

THE WATERLOO MANUFACTURING COMPANY, LIMITED

263 Phillip Street
Waterloo, Ontario

Notice of Annual and General Meeting of Shareholders

Notice is hereby given that the Annual and General Meeting of Shareholders of The Waterloo Manufacturing Company, Limited will be held at the head office of the Company in Waterloo, Ontario, on Thursday, May 27, 1971 at 12 o'clock noon for the following purposes:

(a) to receive the Annual Report of the Company for the year ended December 31, 1970;

(b) to appoint auditors for the ensuing year;

(c) to consider, and if deemed advisable, to sanction By-law No. 66 of the By-laws of the Company passed by the Directors on the 7th day of April, 1971, to decrease the number of Directors from eight to six. A copy of By-law No. 66 is Exhibit "A" to the Information Circular which is attached hereto and forms part hereof;

(d) to consider, and if deemed advisable, to sanction By-law No. 67 of the By-laws of the Company passed by the Directors on the 7th day of April, 1971, authorizing payment of dividends in shares. A copy of By-law No. 67 is Exhibit "B" to the Information Circular which is attached hereto and forms part hereof;

(e) to elect directors for the ensuing year;

(f) to transact such other business as may properly come before the meeting and any adjournment or adjournments thereof.

If you do not expect to be present at the meeting, please sign, date and fill in the enclosed proxy and return it by mail in the enclosed, addressed envelope.

A copy of the Company's Annual Report for the year ended December 31, 1970 is forwarded herewith to each shareholder.

By Order of the Board of Directors,

BRIAN D. TAYLOR

Secretary

Dated: May 4, 1971

THE WATERLOO MANUFACTURING COMPANY, LIMITED

**263 Phillip Street
WATERLOO, ONTARIO**

INFORMATION CIRCULAR

Solicitation of Proxies

This information circular is furnished in connection with the solicitation of proxies by the management of The Waterloo Manufacturing Company, Limited (the "Company") for use at the Annual and General Meeting of Shareholders of the Company and at any adjournment thereof to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. The solicitation will be made primarily by mail but proxies may also be solicited by regular employees of the Company. The cost of solicitation by management will be borne by the Company.

Revocation of Proxies

Any shareholder giving a proxy has the power to revoke it at any time before it is exercised. A proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing, or if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the Head Office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of such meeting, or any adjournment thereof.

Interest of Certain Persons in Matters to be acted upon

- (a) The only persons having a material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon, are the Directors of the Company with respect to By-law No. 66 and the information with respect to their ownership of securities is listed under the heading "Election of Directors".
- (b) The following are the associates of the foregoing persons:
 - (1) Mrs. M. M. Taylor, wife of F. C. Taylor, President, beneficial owner of one (1) Common share.
 - (2) Mrs. Karen L. Dingwall, wife of William G. Dingwall, Director, beneficial owner under the Karen L. Dingwall Trust of 1,128 Common and 16,597 4% Preferred shares.
 - (3) Mr. Brian D. Taylor, Director, is the beneficial owner under the Brian D. Taylor Trust of 977 Common and 14,386 4% Preferred shares.

Voting Shares and Principal Holders thereof

On May 4, 1971, the Company had outstanding 54,005 Common shares, carrying the right to one vote per share held. All shareholders of record on the books of the Company at the time of the holding of the meeting will be entitled to vote at the meeting.

To the knowledge of the Officers of the Company, the only persons beneficially owning equity shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company are:

Aylor Investments Limited	—	32,331 Common shares or 59.9%
Mr. Donald MacKenzie	—	6,804 Common shares or 12.6%

Particulars of Matters to be Acted Upon

- (1) To consider, and if deemed advisable, to sanction By-law No. 66 of the By-laws of the Company passed by the Directors on the 7th day of April, 1971, to decrease the number of Directors from eight to six. A copy of By-law No. 66 is Exhibit "A" to this Information circular.
- (2) To consider, and if deemed advisable, to sanction By-law No. 67 of the By-laws of the Company passed by the Directors on the 7th day of April, 1971, authorizing payment of dividends in shares. A copy of By-law No. 67 is Exhibit "B" to this Information circular.

Election of Directors

The Management of The Waterloo Manufacturing Company, Limited proposes to nominate the persons listed below for election as directors of The Waterloo Manufacturing Company, Limited, to serve until the next annual meeting of the shareholders of The Waterloo Manufacturing Company, Limited or until their successors are duly elected or appointed, unless any such person is unable to act as a director, in which event a substitute may be nominated by the Management of The Waterloo Manufacturing Company, Limited. It is intended that the shares represented by proxies solicited by Management will be voted in favour of the election of such persons as directors of The Waterloo Manufacturing Company, Limited.

The following information is furnished with respect to each person proposed to be nominated for election as director:

Name		Became Director	Shares Beneficially
			Owned directly or Indirectly
Frederick C. Taylor	— President	1943	1
Donald W. Daub	— Vice President & General Manager	1964	1,035
Brian D. Taylor	— Secretary-Treasurer & Asst. General Manager	1969	156
(graduated in 1966 and joined Company in 1967 in Sales Division)			
William G. Dingwall, Q.C.	— Partner in law firm of Hames, Dingwall, Newell & Eaton, Toronto, Ontario	1964	11
John M. Harper, Q.C.	— Partner in law firm of McGibbon, Harper & Haney, Waterloo, Ontario	1964	27
Lawson A. Kaake	— Vice President & Gen. Manager, Upper Lakes Shipping Ltd., Toronto, Ontario	1955	41

Remuneration of Directors and Officers

During the past fiscal year the aggregate remuneration paid by the Company to the Directors was \$3,000. The Company has three officers and their aggregate remuneration as officers was \$64,623. All three officers are also directors.

The estimated aggregate cost to the Company during the last fiscal year of all pension benefits proposed to be paid under any normal pension plan in the event of retirement at normal retirement age, directly or indirectly, by the Company to Directors and Officers of the Company was \$3,290.

Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Thorne, Gunn, Helliwell & Christenson as auditors of the Company to hold office until the next Annual Meeting of Shareholders. They have been auditors of the Company for more than five years.

Other Business

The Management of the Company knows of no other matters that are to be presented at the meeting. However, if any matters other than those referred to herein should be presented at the meeting, the persons named in the enclosed proxy are authorized to vote the shares represented by the proxy in accordance with their best judgment.

By Order of the Board of Directors,
BRIAN D. TAYLOR
Secretary

Dated: May 4, 1971

EXHIBIT "A"

The Waterloo Manufacturing Company, Limited
BY-LAW NO. 66

BE IT ENACTED and it is hereby enacted as a By-law of The Waterloo Manufacturing Company, Limited (hereinafter called "the Company") as follows:

1. The number of directors of the Company is hereby decreased from eight to six so that the Board of Directors of the Company shall hereafter be composed of six Directors, of whom 3 shall constitute a quorum.
2. All prior by-laws, resolutions and proceedings of the Company inconsistent herewith are hereby amended, modified and revised in order to give effect to this By-law.

Passed by the Directors this 7th day of April, 1971.

"B. D. TAYLOR" Corporate
Secretary Seal

EXHIBIT "B"

The Waterloo Manufacturing Company, Limited
BY-LAW NO. 67

BE IT ENACTED and it is hereby enacted as a By-law of The Waterloo Manufacturing Company, Limited (hereinafter called "the Company") as follows:

1. For the amount of any dividend which the Directors may lawfully declare payable in money they may issue therefor preference shares of the Company as fully paid.

Passed by the Directors this 7th day of April, 1971.

"B. D. TAYLOR" Corporate
Secretary Seal